



# **FY 2023/24 Quarter 1 Financial Report**





## REPORT OVERVIEW

This report outlines the City's financial performance for the initial quarter of Fiscal Year 2023/24, concluding on September 30, 2023. The financial analysis in this report pertains to the General Fund, the Water, Wastewater and CV. Starr Enterprise Fund, utilizing a modified accrual basis. It is important to clarify that this document does not constitute an audited financial statement. The accuracy of revenue and expenditure data remains provisional until the City concludes its annual audit and finalizes the Annual Comprehensive Financial Report (ACFR).

## GENERAL FUND

The General Fund is the general operating fund for the City and includes direct programs, activities, and services provided to the residents of Fort Bragg.

### GENERAL FUND REVENUES

The original adopted revenue budget for the General Fund was \$11.6 million, an increase of 5 percent from the prior fiscal year.

Summary of FY 2023/24 Q1 General Fund Operating Results							
	Prior FY Q1 Actuals	Adopted Budget FY 23/24	Amended Budget FY 23/24	FY 23/24		Variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
Transient Occupancy Taxes	\$ 1,188,729	\$ 3,242,118	\$ 3,242,118	\$ 1,091,083	\$ 1,187,461	\$ 96,378	37%
Sales Taxes	574,984	1,959,500	1,959,500	527,979	579,153	51,174	30%
Property Taxes	8,641	1,150,257	1,150,257	-	-	-	0%
Other Taxes	188,244	903,985	903,985	144,450	180,952	36,502	20%
Reimbursements	626,513	3,410,722	3,410,722	852,680	806,837	(45,844)	24%
Charges for Services	30,320	81,343	81,343	20,336	32,573	12,237	40%
Licenses & Permits	14,492	94,293	94,293	23,573	14,556	(9,017)	15%
Use of Money & Property	13,255	90,000	90,000	22,500	53,724	31,224	60%
Fines & Forfeitures	7,589	25,100	25,100	6,275	872	(5,403)	3%
Other Revenues	35,432	20,200	20,200	5,050	14,555	9,505	72%
Intergovernmental/Grant Reimb	118,411	647,262	647,262	161,815	190,743	28,927	29%
<b>Total Revenue</b>	<b>\$ 2,806,610</b>	<b>\$ 11,624,780</b>	<b>\$ 11,624,780</b>	<b>\$ 2,855,742</b>	<b>\$ 3,061,425</b>	<b>\$ 205,683</b>	<b>26%</b>

At the end of quarter one, the General Fund's operating revenues amounted to a little over \$3 million, surpassing quarterly budget projections by \$206k, which represents 26 percent of the amended Budget.

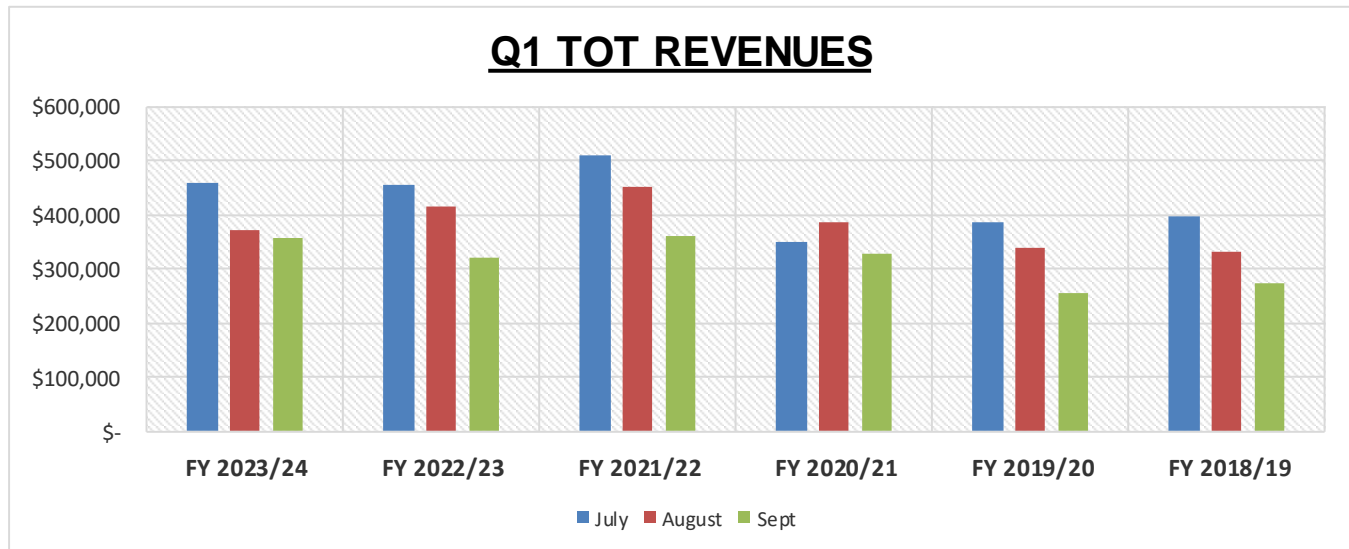
- **Transient Occupancy Tax (TOT)** constitutes a significant portion, accounting for 28 percent of the total General Fund's revenue. In the last quarter of FY 19/20, TOT faced substantial challenges due to COVID restrictions, concluding the fiscal year with a deficit of \$660k compared to budget projections, resulting in an overall deficit for the general fund. However, in FY 20/21, TOT rebounded remarkably, achieving its best year to date and concluding the fiscal year at \$3.3 million. Contributing factors included eased international and domestic travel restrictions due to the pandemic, leading to an increase in the number of local visitors. Additionally, Visit Fort Bragg's ongoing marketing campaigns played a crucial role in attracting more visitors to Fort Bragg. In FY 22/23, TOT once again demonstrated a robust performance, indicating an 18% or \$186k growth compared to pre-pandemic numbers. Despite this positive outcome, receipts experienced a 10% decline compared to the exceptional quarter recorded in FY 21/22, as detailed in the historical revenue figures provided on the next page. In the Adopted Budget FY 23/24, budget projections were rather conservative, projecting just 1 percent growth. At the end of quarter one,





revenues for July and September beat the prior year numbers but were down in August by 10 percent compared.

S

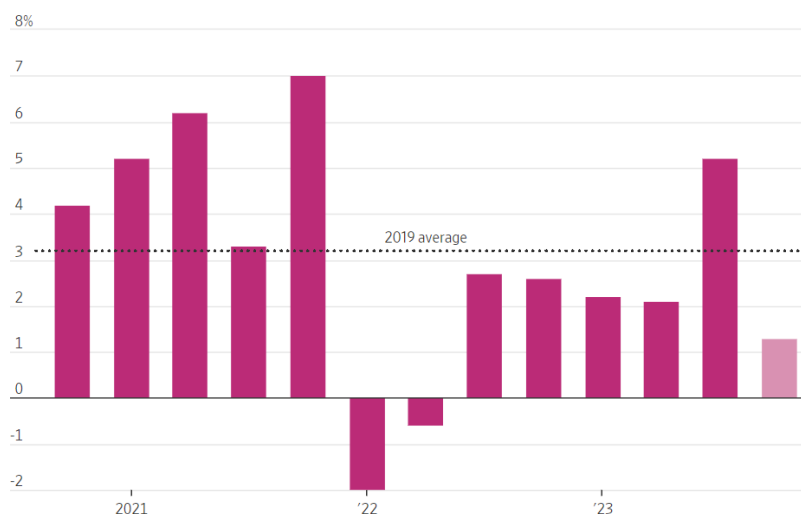


**Sales Tax** The local sales tax rate is 8.875%, of which the State receives 6%, 0.25% to the County, 1.625% Special Tax, and the City receives 1% (known as the Bradley Burns Local Sales and Use Tax).

Inflation accelerated last year as the U.S. economy recovered from the COVID-19 Pandemic. Prices rose as strong consumer demand—stoked by lower interest rates and government stimulus—collided with constrained supply chains and pandemic-related shortages. Russia's invasion of Ukraine in 2022 further spurred inflation worldwide, hitting food, energy, and other commodity prices.

The ongoing impact of the Federal Reserve's interest rate hikes on the economy remains a topic of concern among many analysts. These rate increases primarily aim to mitigate inflationary pressures by rendering borrowing more costly. The intended consequence is reduced spending by households and businesses, potentially resulting in slower wage growth as employers exercise caution in hiring.

Real GDP growth by quarter, annualized



Note: Data for the current quarter is an estimate from the Atlanta Fed's GDPNow forecasting model.

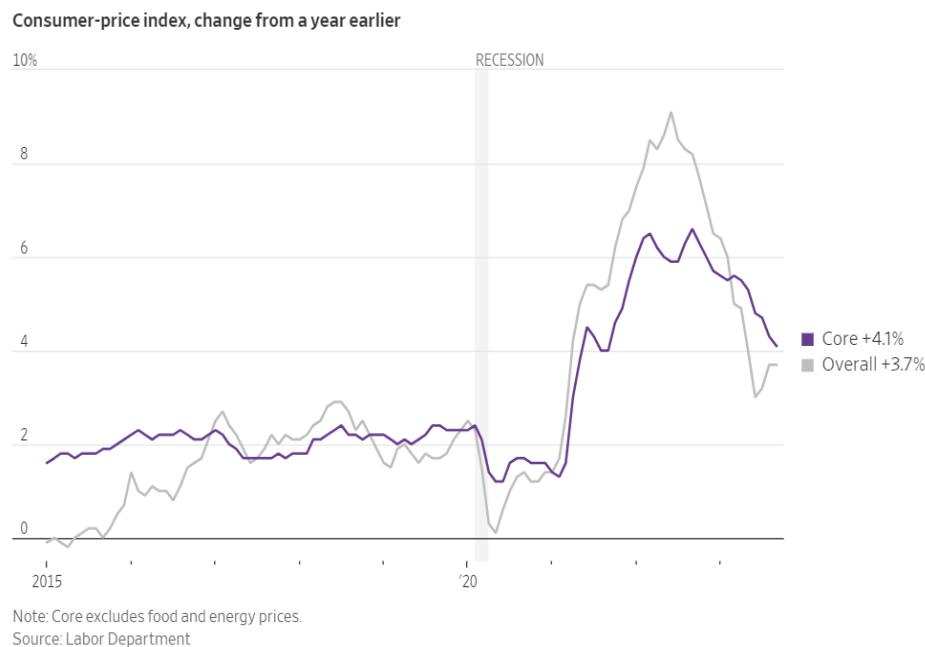
Sources: Commerce Department via Federal Reserve Bank of St. Louis (historical data); Atlanta Fed (forecast)





Despite a notable surge in the third quarter, the overall pace of economic expansion has been more subdued since the Federal Reserve initiated its series of rate hikes compared to the period preceding the Pandemic. The expectation was that these measures would counter inflation, but the effects on economic growth seem to have been more nuanced. As we move into the next quarter, there are indications that growth is once again moderating. This suggests that the full impact of the interest-rate hikes may still be unfolding and influencing economic dynamics. Observers will likely continue to closely monitor these developments to gauge the effectiveness of the Federal Reserve's monetary policy in steering the economy in a balanced direction.

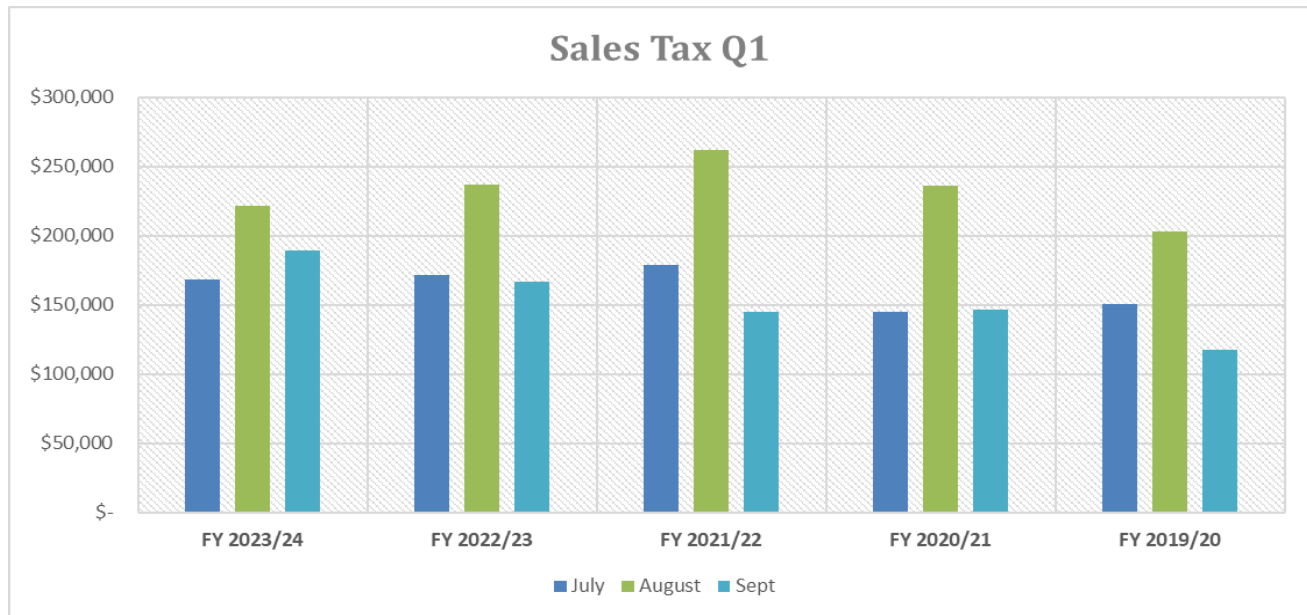
The overall Consumer Price Index (CPI) increased by 3.7% in September 2023 from the same month a year ago, pulled down by a drop in gasoline prices that was partially offset by higher food costs. The reading was down from 8.3% in August to 9.1% in June, the highest inflation rate in four decades. The CPI measures what consumers pay for goods and services.



The current economic landscape is witnessing a shift in factors that have bolstered consumer spending over the past two years, and signs of strain are emerging. A notable concern is the decline in the personal saving rate, a metric indicating the funds individuals have left after accounting for expenditures and taxes. This rate has dipped to 3.9% in the latest measurement, signaling that many Americans are tapping into their savings. The expectation is that the summer robust pace may not be sustainable and might need to moderate.

Several challenges on the horizon could contribute to a slowdown in spending. The resumption of student loan repayments and rising gas prices are identified as potential hurdles, impacting Americans' discretionary budgets for activities like dining out and travel. While there has been growth in Americans' paychecks, a nuanced perspective emerges when adjusting for inflation and removing taxes. In August, incomes experienced a decline for the second consecutive month. The looming concern is that widespread company layoffs could further impact incomes if the labor market cools. Locally, as the economy moves into the slower winter months, the City will continue to monitor consumer spending trends and navigate the evolving financial landscape in the coming months.





In FY 22/23, Quarter-one results were 30 percent of the total Budget. Sales Tax was only down 2 percent compared to the same period last year but still up 22 percent compared to Pre-Pandemic, which is optimistic news for the City as this revenue category continues to record gains. All sales tax categories have experienced year-over-year growth, the largest of which includes Food Products, Construction, and transportation. In addition, the County Pool, where most online transactions are captured, has continued to grow. This growth is attributable to the Pandemic's sustained impact of redirecting significant activity to online sales. The recent growth in County Pool receipts has been fueled by online purchases during the Pandemic and is facilitated by the South Dakota vs. Wayfair, Inc. Supreme Court decision in 2018, which provided states with the authority to require online retailers to collect sales tax even without a local presence in that State. The County Pool revenue is distributed to all cities within Mendocino County based on a distribution formula administered by the CDTFA.

The City's Sales Tax conservative projections are that revenues will end the fiscal year at \$1.9 million, down 2% from the FY 22/23 year-end result of \$2.2 million, as the Fed has aggressively raised interest mentioned above.

- **Property Taxes:** Property Taxes are received in lump sums in December, April, and July, deviating from an even distribution throughout the year. This unique receipt pattern contrasts with the traditional evenly spread revenue streams. The rise in housing costs is particularly noteworthy, representing the most significant increase since the early 1980s. This surge can be attributed to a robust labor market, which has consistently propelled rental rates upward. Within the 95437 zip code, median home prices have maintained a year-over-year increase. According to data from Zillow as of September 2023, median home prices stood at \$554k, marking a substantial growth from \$480k—a decline of 8.2% over the past year. These trends emphasize the dynamic nature of property values and the broader economic landscape in the specified region.

The rapid half-point mortgage rate drop began when bond markets rallied after the Fed's rate hike pause on November 1 and continued when October inflation dropped. Mortgage rates have an inverse relationship with bonds, meaning that when interest in bonds—and subsequently bond prices—rises, mortgage rates tend to fall. The decline in rates has prompted a modest resurgence of interest in mortgages. According to the Mortgage Bankers Association (MBA), applications for home purchases increased by 5% between the last two weeks of November. However, this activity still remains below levels observed a year ago. The reason for this is that while rates have decreased in recent weeks, they are not exactly low. Approximately 83% of





mortgage homeowners currently have a rate of 5% or less, according to Redfin.

Nevertheless, today's rates are significantly lower than the highest rates U.S. borrowers faced in 1981 when rates reached nearly 19% on 30-year mortgages. The historical context underscores that despite the recent drop, current mortgage rates are comparatively favorable for borrowers in today's market.

Weekly mortgage rates

WEEK ENDING	AVERAGE 30-YEAR FIXED RATE	AVERAGE 15-YEAR FIXED RATE
Nov. 30, 2023	7.22%	6.56%
Nov. 22, 2023	7.29%	6.67%
Nov. 16, 2023	7.44%	6.76%
Nov. 9, 2023	7.50%	6.81%
Nov. 2, 2023	7.76%	7.03%

Freddie Mac

- **Other taxes** include Franchise Fees and Business License taxes. Actuals totaled \$180k, which is \$36k over the quarterly Budget estimates. The revenues from solid waste removal were up \$33k from quarterly budget projections due to the new solid waste franchise agreement with Redwood Waste Solutions. Conversely, revenues from Cable television franchise fees have slowly declined as more customers move to satellite and internet-based services. Business License Tax is collected during the business license renewal season in February to March of each year.
- **Reimbursements** include the annual Citizens' Option for Public Safety (COPS) reimbursements for the City's Community Service Officers (CSO), admin cost reimbursement from grants, Highway user tax, special sales tax allocation, developer deposit reimbursements, and cost allocations transfers, which are considered a cost to the Enterprise funds but revenue to the General Fund. This revenue ended the quarter at \$45k below the quarterly Budget due to the timing of some of the reimbursements, which is expected to pick up in the remaining quarters.
- **Intergovernmental** are reimbursements for staff time work on grants, including the School Resource Officer reimbursement, Social Services Liason Grant, Economic Development Agency (EDA), Community Development Block Grants (CDBG) for code enforcement, business assistance loan, Utility Bill assistance, and general administration. The Quarter ended result was 29% of the total Budget.



**GENERAL FUND EXPENDITURES**

The General Fund's adopted Budget for FY 2023/24 was \$11.5 million. The amended Budget is \$11.7 million, with Budget amendments of \$207,561, excluding Purchase order rollovers from the prior fiscal year.

EXPENDITURES	Prior FY Q1 Actuals	Adopted Budget FY 23/24	Amended Budget FY 23/24	FY 23/24		Variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
<b>General Government</b>							
City Council	\$ 47,827	\$ 185,314	\$ 112,360	\$ 28,090	\$ 21,940	\$ 6,150	20%
Administrative Services	200,791	737,505	761,621	190,405	178,361	12,045	23%
City Attorney/Legal	110,807	300,000	314,193	78,548	43,549	34,999	14%
Finance	130,325	635,770	637,770	159,442	159,477	(35)	25%
Non-departmental (overhead)	439,162	1,138,196	1,141,534	285,383	616,731	(331,347)	54%
<b>General Government Subtotal</b>	<b>928,912</b>	<b>2,996,784</b>	<b>2,967,476</b>	<b>741,869</b>	<b>1,020,058</b>	<b>(278,189)</b>	<b>34%</b>
<b>Public Safety</b>							
Fire	118,281	453,708	453,708	113,427	122,402	(8,975)	27%
Police (Inc. Code Enforcement & Crew)	960,764	4,483,371	4,486,748	1,121,687	1,006,555	115,132	22%
<b>Public Safety Subtotal</b>	<b>1,079,045</b>	<b>4,937,079</b>	<b>4,940,456</b>	<b>1,235,114</b>	<b>1,128,957</b>	<b>106,157</b>	<b>23%</b>
<b>Community Services</b>							
Public Works	373,348	1,561,495	1,742,846	435,712	345,540	90,171	20%
Fort Bragg Marketing (Measure AA/AB)	43,385	240,650	252,458	63,114	29,360	33,755	12%
Community Development	73,894	443,898	450,795	112,699	102,861	9,838	23%
Community Contributions	17,558	147,588	174,957	43,739	117,158	(73,418)	67%
Debt	239,375	556,303	556,303	122,757	122,757	-	22%
<b>Community Services Subtotal</b>	<b>747,560</b>	<b>2,949,933</b>	<b>3,177,358</b>	<b>778,020</b>	<b>717,675</b>	<b>60,345</b>	<b>23%</b>
<b>Allocation to Internal Service Funds</b>	<b>171,531</b>	<b>656,999</b>	<b>656,999</b>	<b>164,250</b>	<b>161,024</b>	<b>3,226</b>	<b>25%</b>
<b>Total Expenditure</b>	<b>\$ 2,927,048</b>	<b>\$ 11,540,795</b>	<b>\$ 11,742,289</b>	<b>\$ 2,919,253</b>	<b>\$ 3,027,714</b>	<b>\$ (108,461)</b>	<b>26%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ (120,438)</b>	<b>\$ 83,985</b>	<b>\$ (117,509)</b>	<b>\$ (63,511)</b>	<b>\$ 33,711</b>	<b>\$ 97,222</b>	

Operating expenditures from the General Fund concluded the quarter at \$3.03 million, representing 26 percent of the amended Budget. Listed below are the more significant variances.

- **City Attorney/Legal Costs** were just 14% of the total Budget and \$35k under the quarterly Budget due to a September outstanding invoice that have not been paid. Legal costs are expected to be within Budget towards the end of the fiscal year.
- **Non-departmental** is at 54% of the total Budget attributed to the nature of California Intergovernmental Risk Authority (CIRA) liability and property premium payments, which are paid in the first quarter. Overall, property insurance has increased by 83%, and worker's compensation and general liability also recorded a cost increase of 19% year-over-year. Additionally, \$150k was budgeted to contribute to Section 115 Trust to diversify the City's Investments to address the likelihood of increases to the California Public Employees' Retirement System (CALPERS) unfunded liability.





- **The Police Department** budget is at 22% of the total budget and is on track with quarterly projections. Dispatch costs will increase by 5 percent per the operating agreement with the City of Ukiah. Additionally, the department currently has an open positions, which are expected to be filled in the third quarter. The budget line item also includes Code Enforcement and Social Service liaison.
- **Community Contributions** include the Budget for Noyo Center, Special projects from Measure AB, Sister City Program, and Economic Development & Financing Corporation (EDFC). In quarter one, payment of \$17,558 was made to the Noyo center and \$97,600 to the Fort Bragg Unified School District to repair and resurface tennis courts from Measure AB Special projects fund.
- **Fort Bragg's Marketing** budget includes expenditures such as professional marketing, events, and Public relations services. The quarterly Budget is \$12k under Budget due to the timing of payments to Consultants and partner agencies, including Creative Thinking- Marketing.
- **Debt Payments** A significant accomplishment for the City in FY 2020/21 was developing and adopting a Pension funding policy. These included issuing Lease Revenue Bonds to reduce the City's Unfunded pension Liability by \$7.5 million in November 2021 to achieve a 90-100 percent funding status with CALPERS. FY 2023/24 Budget includes the City's second annual debt payment for these bonds, in which interest is paid in quarter one, and the principal is to be paid in the fourth quarter.

Overall, most of the general fund expenditures are in line with or below quarterly budget projections.

## GENERAL FUND NET RESULTS

The City's primary operating fund is the General Fund, which heavily depends on revenues generated from Transient Occupancy Tax (TOT) and Sales Tax. Both of these revenue streams achieved their best performance in FY 20/21 and maintained strong results throughout FY 21/22, experiencing a slight decline in FY 22/23. As of Q1 in FY 23/24, both TOT and Sales Tax revenues have remained stable.

During the first quarter of the fiscal year, revenues amounted to \$3 million, equivalent to 26 percent of the annual Budget. Simultaneously, expenditures reached \$3.02 million, constituting 26 percent of the annual Budget. This resulted in a net revenue of \$33,711. Moving forward, our team will actively monitor revenues throughout the fiscal year to ensure they align with expenditure levels.

The upcoming Mid-Term Budget workshop, scheduled for March 2023, presents an opportune moment to assess the impacts of the economic slowdown observed in other sectors of the economy. This workshop will be instrumental in gaining insights into the evolving fiscal landscape and making informed decisions to maintain a balanced budget.

Summary of FY 2023/24 Q1 General Fund Operating Results							
	Prior FY Q1 Actuals	Adopted Budget FY 23/24	Amended Budget FY 23/24	FY 23/24		Variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
Total Revenue	\$ 2,806,610	\$ 11,624,780	\$ 11,624,780	\$ 2,855,742	\$ 3,061,425	\$ 205,683	26%
Total Expenditure	\$ 2,927,048	\$ 11,540,795	\$ 11,742,289	\$ 2,919,253	\$ 3,027,714	\$ (108,461)	26%
Net Revenue /(Expenditure)	\$ (120,438)	\$ 83,985	\$ (117,509)	\$ (63,511)	\$ 33,711	\$ 97,222	



**MEASUE AA/AB UPDATE****1. Special Projects Allocation – 0.25%**

C/F Balance 6/30/21:	\$	67,000
<b>FY 21/22</b>		
FY 21/22 Allocation		60,000
Dana Grey Water System Upgrade		(28,097)
Bainbridge Park Soccer		(51,228)
Purchase Groomer/Renovator		(9,300)
Balance 6/30/22	\$	38,375
<b>FY 22/23</b>		
Allocation FY 22/23	\$	70,231
Repair & Resurface of 4 Tennis & Pickle Ball Courts		
<b>FY 23/24</b>		
Allocation FY 23/24	\$	70,231
Repair & Resurface of 4 Tennis & Pickle Ball Courts		(97,600)
<b>Est.Balance 6/30/24</b>	<b>\$</b>	<b>81,237</b>

**2. Noyo Center Allocation – 0.25%**

C/F Balance 6/30/22:	\$	-
<b>FY 22/23</b>		
FY 22/23 Allocation		70,231
Quarter 1		(17,558)
Quarter 2		(17,558)
Quarter 3		(17,558)
Quarter 4		(17,558)
Balance 6/30/23	\$	-
<b>FY 23/24</b>		
Allocation FY 23/24	\$	70,231
Noyo Center Q1 Allocation		(17,558)
<b>Est.Balance 9/30/23</b>	<b>\$</b>	<b>52,673.25</b>



**WATER ENTERPRISE FUND**

The Water Enterprise concluded the quarter with revenues totaling \$805k, equivalent to 26 percent of the overall Budget. Concurrently, expenditures for the same period amounted to \$722k, representing 27 percent of the total Budget. This financial snapshot underscores a revenue surplus of \$83k for the quarter, highlighting a favorable fiscal position for the Water Enterprise at this juncture. Ongoing monitoring of revenues and expenditures will continue to ensure prudent financial management in alignment with budgetary goals.

**Summary of FY 2023/24 Q1 Water Enterprise Operating Results**

	Prior FY Q1 Actuals	Adopted Budget FY 23/24	Amended Budget FY 23/24	FY 23/24		Variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
Charges for Services	\$ 773,645	\$ 3,050,060	\$ 3,050,060	\$ 843,232	\$ 798,887	\$ (44,345)	26%
Other Revenue	17,828	49,000	\$ 49,000	12,250	6,137	(6,113)	13%
<b>Total Revenue</b>	<b>\$ 791,473</b>	<b>\$ 3,099,060</b>	<b>\$ 3,099,060</b>	<b>\$ 855,482</b>	<b>\$ 805,024</b>	<b>\$ (50,458)</b>	<b>26%</b>
<b>Expenditure by Category</b>							
Debt Service	\$ 329,976	340,080	\$ 340,080	\$ 326,749	\$ 284,191	\$ 42,558	84%
Personnel services	198,426	1,192,854	1,192,854	298,214	188,295	109,918	16%
Administration	127,438	473,565	473,565	118,391	112,174	6,217	24%
Contractual services	34,579	93,000	122,258	30,565	8,535	22,030	7%
Materials & supplies	41,244	280,948	280,948	70,237	18,796	51,441	7%
Utilities	49,568	175,000	175,000	43,750	48,071	(4,321)	27%
Repairs & maintenance	4,687	44,500	45,878	11,470	8,299	3,170	18%
Insurance	63,962	62,689	62,689	15,672	53,392	(37,720)	85%
Other operating	3,806	10,500	10,500	2,625	330	2,295	3%
<b>Total Expenditure</b>	<b>\$ 853,686</b>	<b>\$ 2,673,136</b>	<b>\$ 2,703,772</b>	<b>\$ 917,672</b>	<b>\$ 722,083</b>	<b>\$ 195,589</b>	<b>27%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ (62,213)</b>	<b>\$ 425,924</b>	<b>\$ 395,288</b>	<b>\$ (62,190)</b>	<b>\$ 82,941</b>	<b>\$ 145,131</b>	

<b>Net Revenue /(Expenditure)</b>	<b>\$ 111,377</b>	<b>\$ 206,190</b>	<b>\$ 149,006</b>	<b>\$ 6,897</b>	<b>\$ (62,213)</b>	<b>\$ (69,110)</b>	
-----------------------------------	-------------------	-------------------	-------------------	-----------------	--------------------	--------------------	--

- **Charges for Services** the revenue structure of the Water Enterprise Fund is significantly supported by Charges for Services. The first quarter demonstrated consistent performance compared to the previous fiscal year, with revenues typically higher in this period due to seasonal factors. During FY 22/23, quarter one, the City of Fort Bragg declared a Stage 2 water warning, leading to the implementation of mandatory stage two water conservation measures. These measures aimed at reducing water consumption by 10-20%. The proactive steps taken by ratepayers in the prior fiscal year, particularly during the summer, contributed to water conservation efforts. In response to these challenges, the city has undertaken initiatives to identify and address leaks. The installation of new Water Meters funded by the CDBG Grant in Quarters two and three will enhance real-time leak detection capabilities. Moreover, improvements to the customer portal through Water Smart will provide customers with analytics on their water usage, offering valuable information to address leaks and manage high water usage more effectively. These advancements reflect the City's commitment to efficient water management and customer engagement. The City received significant rainfall at the end of the winter months and is forecasted to have more rainwater replenishing our three raw water sources in the coming winter months.

- **Debt Service** The adopted Budget for Debt Service stands at \$330k within the Water Enterprise Fund. Presently, the fund carries only one outstanding debt: the state of California Department of Water Resources Loan, which amounted to \$476k and was successfully paid off in the preceding fiscal year. Additionally, the 2014 Water Revenue Refunding Bond, with a principal of \$337,080, is set to mature in the current fiscal year. As of now, Debt Services are at 84% of the Budget. This percentage reflects the timing of the payments, as





## FY 2022/23 Q1 Operating Results

per the Debt Schedule, with payments typically made in Quarter one. The fiscal responsibility demonstrated by the successful repayment of the prior loan underscores the prudent financial management within the Water Enterprise Fund. The upcoming maturation of the Water Revenue Refunding Bond is a key consideration in managing the Debt Service budget for the remainder of the fiscal year.

- **Contractual Services** budget covers Utility Billing costs for printing, mailing, and compliance with Senate Bill 998. These costs have come in below Budget in the first quarter.
- **Utilities** are up 27% of the total Budget. Energy costs for Electric have risen by 35% per month compared to last year due to rate increases with a slight increase in consumption.
- **Insurance costs**, including Property & ADP Contributions, DIC Earthquake, and flood deductible buy-down, are paid in the first quarter annually. As mentioned earlier, CIRA insurance costs have recorded year-over-year increases. Property Insurance increased by 83% and DIC by 43% overall. Currently, the Insurance costs are over 85% of the Budget. Staff is working with CIRA to confirm the allocation of property insurance before the mid-term Budget.

Overall, most expenditures are in line with quarterly budget projections, and staff anticipates that revenues will outpace expenditure estimates come year-end.

### WASTEWATER ENTERPRISE FUND

Wastewater Enterprise's revenue ended the quarter at \$950k, which is 28 percent of the total Budget, and expenditures ended the first quarter at \$756k, in line with overall quarter one budget projections.

Summary of FY 2023/24 Q1 Wastewater Enterprise Operating Results							
	Prior FY Q1 Actuals	Adopted Budget FY 23/24	Amended Budget FY 23/24	FY 23/24		Variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
Charges for Services	\$ 873,566	\$ 3,391,756	\$ 3,391,756	\$ 847,939	\$ 915,238	\$ 67,299	27%
Other Revenue	52,218.00	140,000	140,000	35,000	35,248	248	25%
<b>Total Revenue</b>	<b>\$ 925,784</b>	<b>\$ 3,531,756</b>	<b>\$ 3,531,756</b>	<b>\$ 882,939</b>	<b>\$ 950,485</b>	<b>\$ 67,546</b>	<b>27%</b>
<b>Expenditure by Category</b>							
Personnel services	148,287	714,353	714,353	178,588	199,423	(20,835)	28%
Administration	171,905	713,395	713,395	178,349	171,647	6,702	24%
Contractual services	27,122	411,701	715,476	178,869	57,399	121,471	8%
Materials & supplies	77,648	298,894	418,715	104,679	77,309	27,370	18%
Utilities	96,367	300,000	300,000	75,000	116,542	(41,542)	39%
Repairs & maintenance	19,583	89,750	90,832	22,708	21,774	934	24%
Insurance	81,174	70,633	70,633	17,658	112,645	(94,987)	159%
<b>Total Expenditure</b>	<b>\$ 622,086</b>	<b>\$ 2,598,726</b>	<b>\$ 3,023,404</b>	<b>\$ 755,851</b>	<b>\$ 756,738</b>	<b>\$ (887)</b>	<b>25%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ 303,698</b>	<b>\$ 933,031</b>	<b>\$ 508,352</b>	<b>\$ 127,088</b>	<b>\$ 193,747</b>	<b>\$ 66,659</b>	

- Similar to the Water Enterprise Fund, revenues for the relevant fiscal year rebounded to pre-COVID levels in FY 20/21, totaling \$950k or 27 percent of the total Budget. Encouragingly, in the current fiscal year, FY 23/24, revenues are continuing this positive trend and currently stand at 27% of the total Budget. This upward trajectory reflects a resilient financial performance and suggests sustained recovery from the impacts of the COVID-19 pandemic. Monitoring these revenue trends will be crucial in ensuring continued fiscal health and effective budgetary management.





- **Utilities** are up 39% of the total Budget. Energy costs for Electric have risen by 60% or \$12k/month compared to the last year due to rate increases.
- **Insurance costs**, Including Property & ADP Contributions, DIC Earthquake, and flood deductible buy-down, are paid annually in the first quarter. As mentioned earlier, there have been year-over-year increases in CIRA insurance costs, particularly due to the impact of the new Wastewater Treatment Plant on Property Insurance for the fund in recent years. Property Insurance has increased by 83%, and DIC by 43% overall. At present, insurance costs are exceeding the Budget by \$53k. Our staff is actively collaborating with CIRA to confirm the allocation of property insurance costs. This clarification is essential before the mid-term Budget, as it will help determine whether a Budget Amendment is necessary to address the current overage in insurance expenditures.

Most expenditures align with quarterly budget projections, and staff anticipates that revenues will outpace expenditure estimates come year-end.

## **CV STARR ENTERPRISE**

The C.V. Starr Community Center and Sigrid & Harry Spath Aquatic Facility (C.V. Starr Center) represent a comprehensive 43,000-square-foot establishment. This multifaceted facility features an indoor water park, fitness and exercise rooms, weight rooms, and meeting spaces available for community use. The surrounding grounds complement the Center's offerings with amenities such as a dog park, Skateboard Park, and petanque courts. Ownership of the C.V. Starr Center lies with the City, and its operational, maintenance, and capital improvement costs are partially mitigated through restricted sales tax and property tax revenues. These dedicated funds are specifically allocated to the C.V. Starr Enterprise Fund, ensuring a financial framework to support the ongoing success of the facility.

The City has engaged in a contractual arrangement with the Mendocino Coast Recreation and Parks District (MCRPD) for the day-to-day operation and maintenance of the C.V. Starr Center. However, a significant development occurred in August 2023 when the MCRPD Board issued notice to terminate the operating agreement. The MCRPD allowed for a 6-month transition to facilitate a smooth transition.

In response to this change, the CV Starr Ad-Hoc Committee, in collaboration with City Staff, has diligently formulated a comprehensive plan. The objective is to seamlessly integrate the C.V. Starr Center into the City's operational framework, and this transition is anticipated to be completed by February 2024. This strategic plan ensures the continued provision of services and facilities to the community, aligning with the City's commitment to its residents' well-being and recreational needs.

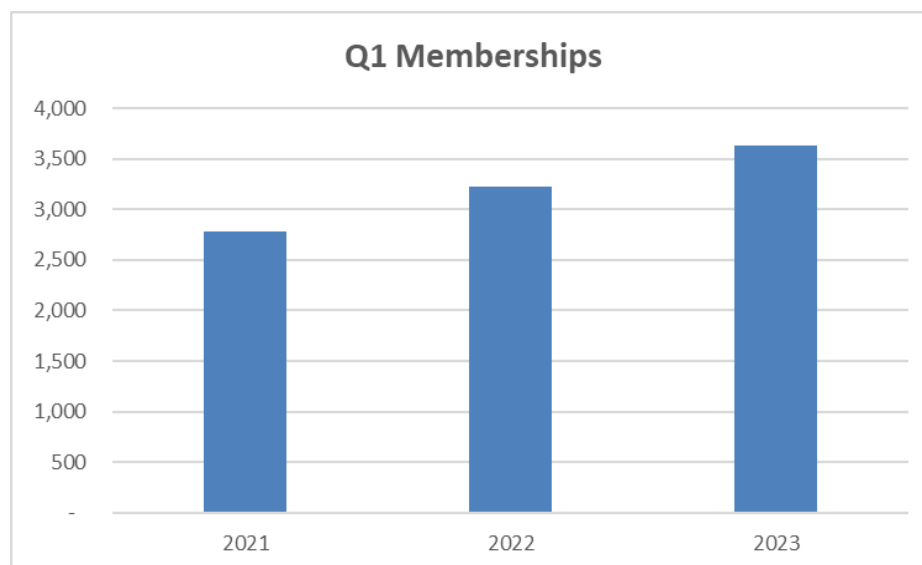




Summary of FY 2023/24 Q1 CV Starr Enterprise Operating Results						
	Adopted Budget FY 23/24	Amended Budget FY 23/24	FY 23/24		Variance vs. Quarterly Budget	% of Total Budget
			Q1 Budget	Q1 Actual Results		
Operating Revenues	596,248	596,248	\$ 149,062	200,956	\$ 51,894	34%
Sales Tax	1,199,769	1,199,769	299,942	326,867	26,925	27%
Property Taxes	283,127	283,127	-	-	-	0%
Other Revenue	50,000	50,000	12,500	777	(11,723)	2%
<b>Total Revenue</b>	<b>\$ 2,129,144</b>	<b>\$ 2,129,144</b>	<b>\$ 461,504</b>	<b>\$ 528,600</b>	<b>\$ 67,096</b>	<b>25%</b>
<b>Expenditure by Category</b>						
Personnel services	1,439,777	1,439,777	359,944	395,663	(35,719)	27%
Administration	32,300	32,300	8,075	622	7,453	2%
Contractual services	35,419	50,419	12,605	14,210	(1,605)	28%
Utilities	350,000	350,000	87,500	88,732	(1,232)	25%
Repairs & maintenance	60,000	67,247	16,812	15,932	879	24%
Insurance	30,208	30,208	7,552	-	7,552	0%
Other operating	173,011	173,011	43,253	27,957	15,295	16%
<b>Total Expenditure</b>	<b>\$ 2,120,714</b>	<b>\$ 2,142,961</b>	<b>\$ 535,740</b>	<b>\$ 543,117</b>	<b>\$ (7,376)</b>	<b>25%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ 8,430</b>	<b>\$ (13,817)</b>	<b>\$ (74,236)</b>	<b>\$ (14,516)</b>	<b>\$ 59,719</b>	

The revenue generated from general admissions encompasses user fees obtained from drop-in visits, membership sales, and other admissions. The Center was closed during COVID-19, impacting membership sign-ups and drop-in visits. The facility experienced a delayed opening post-COVID due to safety precautions, such as the continued use of masks (except in the pool area), the closure of showers to minimize unmasked time, and capacity restrictions during Open Swim and Swim Slide Splash sessions, contributed to this shortfall.

Despite the challenges, since re-opening, membership revenue and general admissions have rebounded at the end of quarter one at \$200,956, 34 percent of the overall Budget. At the time of this report, the City Council approved rate increases in the second quarter, which take effect in January 2024, generating an estimated \$90k in additional revenue.







It's encouraging to report that our sales tax figures align with our quarterly budget projections, and we are on track to meet our overall budget expectations of \$1.2 million. This positive trajectory reflects our effective strategies and market responsiveness.

On the property tax front, funds are received in the third quarter of the fiscal year. This timing aligns with our budget planning, contributing to the overall financial health of the Center.

Regarding personnel costs, we are currently at 27% of the Budget, effectively meeting our quarterly expectations. However, recognizing the dynamic nature of our operations, we are actively evaluating and planning to restructure staffing to ensure optimal efficiency and resource utilization.

Shifting our focus to administration costs, which encompass legal, travel, and training expenses, it's noteworthy that a substantial portion of these expenditures is expected to be incurred in the second and third quarters. As we progress through the fiscal year, we remain committed to prudent financial management, ensuring that our budget allocations align with our operational needs and strategic goals.